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The Politics of Revenue Allocation and Socio-economic Development of Emohua Local Government Area, Rivers State, Nigeria.

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Abstract

The research is aimed at examining the political and historical antecedent of revenue allocation and its effects on socio-economic development of Emohua Local Government Area. The paper explores the issues of fiscal federalism and its challenges arising from lack of equity in the allocation of revenue from the federation account. This is because Nigeria as a nation has a problem of acceptable revenue sharing formula or principle. Between 1946 and 1991, different commissions were constituted to look into the issues of revenue sharing formula, yet none of their reports has been generally accepted. The oil boom of the early 1980's made possible economic growth, which led to the expansion of government bureaucracy and influence. As a direct consequence of this, there was a shift in Nigeria's federal system from a federation of five units consisting of four regions and a centre in 1962 to a much more federation of thirty six states and the Federal Capital Territory, and seven hundred and seventy four local governments today. As a result, revenue allocation has become a crucial and controversial issue in Nigeria. The study proves that the inadequate revenue allocation hampers Emohua Local Government development activities. We therefore recommend that such local government like Emohua Local Government Area where the revenue is being generated should be allocated more revenue to enable her grapple with the desired development responsibilities and the challenges arising from the revenue generating process.

Key words: Derivation, Revenue Allocation, Revenue Allocation Commissions, Socio-economic Development, Federalism.

1. Introduction

Obinna (1997: 96-97) holds that revenue allocation is the sharing of centrally collected funds first between the relevant layers of government and then, among units of the same layer. The relevant layers in Nigeria are federal, state and local governments. The sharing of funds among these three layers of government can be referred to as vertical allocation, whereas the distribution of funds among units of the state is referred to as horizontal allocation. Be it vertical or horizontal, the sharing of revenue among the component units of the federation in Nigeria involves sharing from the federation account based on the prescribed terms and is always subject to the decision of the National Assembly or the State Assemblies. Ake-Okah (2002:118) described revenue allocation as the mechanism for sharing the country's financial resources among the different tiers of government in the federation with the overall objective of enhancing economic growth and development, minimizing inter-governmental tensions and promoting national unity. Thus, Danjuma (1994) rightly pointed out that revenue allocation belongs to the watershed between politics and economics and falls squarely within the area of political economy. Having this in mind, it therefore means that the issues of revenue allocation are partly economic, but indeed largely a matter of political development. In this case, it is the transfer of resources from the area, where there is abundance to the parts of the federation, where the resources are in shortage.

Well, if all component units of Nigeria were equally endowed with human and material resources, the issue of revenue transfers from one part to another would not arise. Dare and Oyewole (1987:182-183) further stated that the issue of allocation of funds in Nigeria is a potent weapon through which government can transfer revenue from one part of the country to another for the benefit of all units. Indeed, revenue allocation fosters national unity, integration, and development of the federating units, when adequately considered or otherwise. Unfortunately, it appears the revenue allocation to Emohua Local Government is not yielding its expected development result. To that effect, the study is aimed at examining the political influence of Nigerian State on revenue allocation, and its effect on socio economic development of Emohua Local Government Area. Data will be generated from secondary sources, and content analysis will be used to analyse the data.

2. Historical background of revenue allocation in Nigeria

The emergence of what came to be known as federal finance was as a result of the various attempts made to contain the financial consequences that accompanied all the constitutional changes that came to be in Nigeria since World War II. From 1945 to 1968, six different fiscal review commissions were set up to look into the issues relating to the allocation of federal revenues based on the constitutional changes that took place in the years. Thereafter, there was division of the federal finances in Nigeria at different periods. Orokpo etal (2012: 83) states that the first revenue allocation commission was the Phillipson Commission of 1946 during, which the Northern, Eastern and Western governments were converted into regional governments. During this period, there was a strong central government that took seriously the issue of fiscal federalism. The commission recommended the adoption of derivation principle in revenue allocation. In addition, the commission introduced the concept of "declared and undeclared" revenues. The declared revenues included those revenues collected by regional governments, whereas undeclared revenues were those collected by the central government. The balance of undeclared revenue after the federal government budget was allocated to the regions proportionately among the three regions and the center.

Having done this, the implementation became a very serious issue as the north grumbled that the fund due it had gone to the East, whereas the East and West complained that the North had been given an unfairly larger allocation. As a result, there arose the need to have a constitutional conference in Ibadan in 1950. In that conference, the North argued that funds should be distributed on per capital basis, the West argued for unalloyed adoption of the principle of derivation, whereas the East stood for the principle of need. Within this period, the Phillipson Commission recommended the adoption of the allocation principle based on derivation, need and national interest. The regions entered into a rapid transition in fiscal matters. For the first time, regional governments acquired the power of independent revenues and tax jurisdictions. There was full application of the revenue formula based on need and national interest. However, the formula became a guiding principle for the disbursement of special grants including police and education sectors.

Chick Commission was set up in 1951 which took into cognizance, the need to provide the regions and the centre with an adequate measure of fiscal autonomy within their own sphere of governance. Thereafter, the principle maintained that derivation and fiscal autonomy which covered all federal revenue allocations to the regions should be given adequate attention for the even development of the nation (Omitola, 2005). This period witnessed a boom in the prices of groundnuts from the North and cocoa from the West. By 1957, there was a fall in the groundnut trade and other products from the North in the same way as there was a fall in the prices of cocoa. The North suffered from the application of the derivation principle and the west faired no better. The situation led to the setting up of the fourth commission, the Raisman's commission of 1958. There was then the principle of continuity of government services, population issues, balanced development of all sections of the country and the basic responsibilities of regional governments. The Commission according to Watts (1976:10-11) "created the Distributable Pool Account (DPA)." Here, each major revenue head was divided between the federal government, the Distributable Pool Account (DPA), and the regional governments where the funds were derived. Therefore, allocation was now done in the proportion of North 40%, West 24%, East 20% and Southern Cameroons 16%. It can therefore be noted that Raisman's commission of 1958 played down on the principle of derivation as soon as cocoa and groundnuts ceased to be the determinants of the economy.

After the loss of Southern Cameroons and the subsequent creation of Mid-Western region in 1963, another commission was set up in 1964. This commission was known as Binns Commission whose task was to allocate revenue into the Distributable Pool Account (DPA) and its redistribution among the regions.

According to Appadorai (1965:15) Binns recommended as follows:

(i) That the DPA should receive 35% rather than 30% of general import revenues and revenues from mining rents and royalties.

(ii) That the revenue funds in the DPA should be distributed among the regions thus: North 42%, East 30%, West 20%, and Mid-West 8%. The principle of fiscal need continued until 1967 when the military divided the country into twelve states. During the war and under Decree No. 15 of 1967, the North's 42% was distributed among the six northern states on the basis of equality. As a result, each state in the north had 7%.

In the East, the basis for allocation was population size. East central 17.5%, 7.5% for South East and 5% for Rivers State. In the West, Lagos had 2%, 18% for Western state and 8% for Mid-west. From then onwards, a major departure was made on derivation principle more so as oil became the main stay of Nigeria's economy. Allocation principle was now enacted through military decrees. To make matters worse, an interim allocation review committee was set up under the chairmanship of Chief .I.O. Dina in 1968. Its recommendation ran parallel to that of Raisman in 1958-1959. However, the emphasis was on redistributing oil revenue from the states in which it was derived. But this recommendation was not implemented just because it did not satisfy the needs and demands of the north and other major ethnic groups in Nigeria.

The federal government from then began to rely on the interim arrangement based on the principles of need and derivation. The Decree No. 13 of 1970 was enacted based on the principles of population size and equality. Thus, the bulk of the federally collected revenue went to the federal government thereby weakening the financial powers of the component states. Among other provisions include 45% of rents on mineral royalties going to states of origin, 50% to DPA and 5% to federal government. Another decree was enacted such as Decree No. 9 of 1971 based on the principles of equality 50% and population 50%. Thereafter, the federal government took to itself exclusive rights to the offshore rents and royalties. Again, Decree No. 6 of 1975 directed that all revenues to be shared by the states to pass through Distributable Pool Account with the exception of 20% on-shore mining rents and royalties paid to states of origin based on derivation.

Further still, in 1977 Aboyade Technical Committee on revenue allocation was set up. It recommended absorptive capacity 20%, fiscal efficiency15%, tax effort 18%, quality of access to development opportunities 25% minimum, national standard of integration 22%. All federally collected revenues should be paid to the DPA except income for proceeds on salaries of armed forces personnel and foreign affairs etc. Federal government dumped the commission’s report claiming it was too technical. Having once again gone through an electoral process in 1979, by 1980, the new president, Alhaji Shehu Shagari set up Okigbo Committee on revenue allocation. Its recommendation was as follows: minimum responsibility of government 40%, population 40%, social development factor 15% and revenue effort 5%. Its other recommendations included: distribution of revenue from DPA, federal government 53%, state 30% and local government 10%. The other 7% goes to the fund of the special grants account set aside for realizing economic problems. The federal capital territory was allocated 2.5% and it was not to share with the states any fund from the DPA.

And finally, by 1989, the new military president, General Ibrahim Babangida set up a permanent institution for revenue allocation matters known as Revenue Mobilization, Allocation and Fiscal Commission. It has the mandate to review and adjust where necessary revenue allocation pattern. It could also advice local government chairmen concerning the use and disbursement of statutory allocations. That commission is still functional till date.

3. The politics of revenue allocation in Nigeria

Instances abound in Nigeria concerning the constitutional review or the setting up of commissions in an attempt to please the majority ethnic groups in terms of revenue allocation. In fact, the political history of Nigeria has been shaped by the struggle between various ethnic groups to get more funds from the federation account. Based on this, Olaloku (1979:115) lamented that development of federal finance in Nigeria is nothing but the history of the various attempts made to contain the financial consequences that accompanied the constitutional changes, which took place in the country since World War II. Similarly, Nnoli (1978:201-206) adds that the most persistent struggle among the ethnic groups in Nigeria for federal resources was over revenue allocation. He went further to state that various revenue allocation commissions were appointed as referees. Having made recommendations, their implementation has been the problem and the issue interest. In fact, Nnoli (1978:205-206) concluded that this problem has remained an emotional issue. Still, the regional factions of the privileged classes have continued to maneuver and scheme for greater advantages in division of the common cake and only in this manner can they improve their benefits from the society.

The issue of revenue allocation has been the most contentious and controversial one to the extent that it has become a recurring decimal which has remained the first problem every incoming administration had to grapple with since independence. Having made different attempts in devising an acceptance formula, yet each of the attempts can only be remembered for the controversies it generated than any issues settled. Earlier in this work, mention has been made concerning the issue of political compromise in the determination of an acceptable revenue allocation formula. However, what is central to this compromise is the impact of a given revenue allocation structure on the nature of federalism (Ake-Okah, 2002:119). In fact, it should be borne in mind that it is federalism that creates the need for revenue allocation. In the words of Ellah (1983:16), the question of states creation has always been the most sensitive and precarious single issue that has faced Nigeria since she came into being as a distinct national entity. In the very nature of revenue allocation, there is a vital link between it and state creation. As federal revenue increases, there comes a corresponding demand for state creation. Two reasons can be deduced from this point. The first is that every state would always enjoy revenue allocation from the federation account since the states constitute an important component of the federal government. Secondly, each state would want to use resources from the federation account to ensure socio-economic development of the particular state. The number of states that exist in a particular region determines the amount of revenue allocation the region will enjoy from the federation account. So in an attempt to have an equitable share of the revenue, each region goes on to make demands bordering on state creation.

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4. Impact of Revenue allocation on the development of Emohua Local Government Area.

Emohua local government area is within the Ikwerre ethnic nationality at the heart of Rivers State and is central to the development of Rivers State. It is bounded on the North by Ahoada East and West Local Governments, on the south by Obio/Akpor LGA, East by Ikwerre Local Government and West by Asari Toru and Degema Local Governments. Emohua local government is marked by longitudes 6^{o}: 40 and 7^{o} :15 East and latitudes 4^{o}:45 and 5^{o}:15 North. Among the clans that make up the area are Ogbakiri Wezina, Emohua, Odegu, Uvawhu (Ibaa/Obelle), Rundele, Rumuekpe, Egbeda, Omudioga, Ubimiri, Elele-Alimini, Akpabu and Itu, with over 116 communities (Wilson, 2002 :40) . By 1991 population census, Emohua had 154, 925 and by 2006, the population figure has risen to 201,901 (FGN, 2006) .

As a result of adequate rainfall and favourable weather conditions, the area is rich in eco-systems including the widespread flora and fauna. There are varying degrees of economic trees such as palm trees which produce the clustered bright red fruits. Apart from this, there are other economic trees, including abura, raphia palms, lianas, iroko, obeche, etc. which are exploited for economic use. There is a network of roads which link the various communities to each other, but the major one being the east-west road that cuts across many villages in area. There are also rivers, streams, and creeks, which make fishing one of the major occupations of the area. Farming, hunting and crafts form part of the major occupations of the people. In terms of natural resources, the area can boast of oil and gas reserves, limestone, clay, sand used for building are in abundance is such communities as Evekwu, Oduoha, Elibrada, Agba Ndele etc.

Oil and gas deposits and locations are found in Rumuekpe, Elele-Alimini, Omudioga, Egbeda and Obelle. Still the liquefied gas flow station is conspicuously located at Rumuji-Odegu with the gas pipelines crisis crossing several communities in the area. Shell Petroleum Development Company (SPDC), Elf petroleum, Agip and the Nigerian liquefied natural gas company operate in the area through their exploration and exploitation activities. It is disheartening to know that none of the oil and gas companies has engaged itself significantly in socio-economic development of the area. Often times what liquefied natural gas company does is to send Christmas gift in the form of rice to the communities. Shell, Elf, and Agip reward the communities in igniting community conflicts to the extent that , that becomes an excuse for their failure in developing the area upon which they and the federal government fed fat from the revenues that accrue to the federal purse.

In spite of the various contributions of Emohua Local Government to the development of Nigerian State, the area suffers inadequate revenue allocation both from federal and state governments, and oil and gas multinational companies operating in the area , thereby increasing the poverty rate and suffering of the people of the area. Communities like Rumuodogo I and Rumuodogo II are not accessible by car during raining season. Many communities still don’t have electricity, even when the area produce the gas used to power the various gas turbing in the state. Apart from the few schools that the Governor Amaechi administration is putting up in some communities, most school buildings are dilapidated. Portable good drinking water has remained a scarce commodity as many communities still drink from the pullulated rivers. The federal allocation to the local government has not always been adequate due to arising development challenges in the area. The local government contributes so much but gets little or nothing in return. This is as a result of poor revenue allocation formulae in Nigeria.

As the principle adopted in respect of federal allocations began to de-emphasize derivation, communities in Emohua local government area became circumvented. Again, as oil became the mainstay of Nigeria’s economy, there was further politicizing regarding on-shore and off-shore oil exploration, without regard to the immense damage it causes to Emohua Local Government Area environment and people. Indeed, for Emohua Local Government Area to enjoy the anticipated development, Nigerian Government should allocate more to derivation communities, by applying adequately the principle derivation in revenue allocation in the state.

5. Conclusion

The principle of revenue allocation has constantly been under undue attack. Some of the arguments have been that those states that are not sufficiently endowed with such natural resources may be marginalized. Again, there is gross inadequacy of reliable statistical data concerning non-mineral revenue source, so this has hampered the application of the principle. It is now clear that the revenue allocation is a problem in Nigerian federalism. The issue has been politicized in the country. Some states or regions have used the allocation issue to advance their selfish interests at the detriment of others. This led to the change from one formula to another.

Nigeria has witnessed several revenue allocation principles, yet none has been generally acceptable. And so agitations and complaints continue for increase in revenue allocation percentage to states and local governments in the country. As a result, the situation has led to incessant requests and demands for further state and local governments' creation. In fact, it is this posture that has brought about persuasive political consciousness in Nigeria which make states in the federation to pressurize for higher allocations for themselves. The issue has remained intractable in the country. It is therefore no gainsaying the fact that revenue allocation system has relationship with state creation and local government demands. It is clear that Nigerian federalism is deceptive and therefore creates serious implications for democracy to thrive in the country.

Therefore, for true federalism to exist, and to achieve adequate socio-economic development, revenue allocation formula should be made to touch the lives of the people of Emohua local government area. Those who lay the golden egg must be rewarded appropriately by enjoying the benefits there from. Those who suffer from the environmental pollution and degradation must be proportionately be compensated by allocating greater percentage of oil revenue to Emohua Local Government Area for the development of the area.

Nigeria is learning from the West in order to catch up with the realities of the day. The learning process should be all inclusive. Learning should not be one-sided. If we are borrowing the process of education, health care and infrastructural development pattern from the west, we should also borrow the revenue allocation pattern as it exists in oil producing states of America.

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